

# **NEW HAMPSHIRE STATE LIQUOR COMMISSION**

## **MINUTES OF MEETING – APRIL 30, 2003**

**PRESENT:** Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Rick Farrenkopf, Information Technology Manager II; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer, Al Piccone, United Beverages, Inc.; Michael Goclawski, Law Warehouse, Tom Manning, Interim Human Resources Administrator

### **I. FINANCIAL & ADMINISTRATIVE REPORTS**

Craig took time at the beginning of the meeting to introduce Tom Manning to the group. Tom will be filling in for George Liouzis during his absence. Tom will be assisting our human resource needs approximately 2-3 days a week. Information will be funneled through Veronica Indyk and Craig Bulkley to make things more efficient.

#### **1. Financial Reports**

##### **A. Weekly, Y-T-D Sales Reports:**

The current SA1000 report for the week ending 4/27/03 show retail sales were up 8%, on-premise sales were down .22 % and off-premise sales were up 66% with total sales up 14.9%. The traffic count was up by 7,044 and the average sale was up \$1.47. The W-1 Total Weekly Sales report for the same week indicates total sales for the week were up 14.85 % over this time period last year and year-to-date we are up 5.48%. Wine sales are up 22.8 % and y-t-do we are up almost 9%. Sales of spirits are up 8.9% and year-to-date we are up 2.53%.

##### **B. Budget Reports:**

Regarding the latest outstanding depletions and post-offs report, Craig reported John Bunnell spoke with Howard Kaufman from Phoenix Marketing regarding their current balance. Howard stated a payment for ½ the amount due will be paid this week with the remainder being paid next week.

Information requested of us from Peter Yao and Howard McCardle is on its way to Administrative Services this morning. Copies have been distributed to all of the parties involved.

Craig reported the State of Virginia has delayed their implementation of gift cards. We will be the first control state to distribute them in our stores.

Craig spoke about the e-licensing project that has been in the works with Enforcement for the past six to eight months. An initial quote for \$136,000 from a vendor for front end only work has been received. We were recently informed that New Hampshire has contracted with a company called System Automation for some work. This e-licensing project is being budgeted for FY 05. Craig requests permission of the Commission to proceed with this plan. We are looking for a quote for the whole

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package, this is an off the shelf package that would require some customization and some assistance from DITM. If everything proceeds as plans, we will request a loan from DITM until we receive our monies in July. The Commission agreed to have Craig proceed with this project.

A review of the current Expense Budget Activity Variance Report for the period ending April 27, 2003 shows we are currently at 83.01 % of the year, with actual expenditures at about 84.9 %. This included monies that were taken from our budget for Governor Benson's 2 ½ budget reduction.

John had a question about line 22 for Rents. George did not think this would be a problem since we only have one month left of rental/lease payments for the retail store locations. We still have six weeks left for this fiscal year for payroll activity. Requests for the salary and benefit adjustment account will be prepared by George. Class 18 overtime transfer for stores of approximately \$90,000 is not included in the W-6 expense report as it is yet to be approved by Governor and Council Committee.

George informed us that the KPMG Auditors will be here on May 5<sup>th</sup> or 6<sup>th</sup> for approximately two weeks.

George has sent our Annual Statistics to the Distilled Spirits Council on April 28, 2003.

We are trying to obtain a waiver to procure a replacement vehicle for Aidan in Enforcement. A \$13,000 Insurance check has been deposited into our equipment account from his previous vehicle. Our request for \$5,600.10 for a sprinkler system for Store #34 is also on the agenda of the G and C meeting of May 7, 2003.

George discussed a money saving prospect in the new fiscal year to pre-buy our oil for the liquor stores. George is gathering information on this prospect at the current time. More information will be brought in the new fiscal year.

**2. IT Reports**

All but five of our stores have been upgraded with verifones at this time. As per Rick's attachment that was distributed, the blue stores have been done and the green stores still need to be accomplished. This has been a collaborative effort between IT and the assistance of the Enforcement Division with the help of vehicles.

Training will begin next week with Liquor Store employees and gift cards will be distributed to stores as part of the training implementation. The training will be hands-on utilizing the gift cards. Ann Jordan from Paymentech is coming in today with a presentation. We are hoping to begin using the gift cards by the middle of May to be purchased by consumers once the store trainings are complete.

Discussed drafting of a Liquor Commission Policy for Gift Cards relative to our vendors in the State of New Hampshire. Craig and Howard will work collaboratively to draft a policy to be reviewed at a later date by the Commission.

IT is also currently working on improving the current interface system with the verifones. Will be seeking out feedback from store personnel regarding how it is currently working. Continue to work on the Masterpiece conversion.

Rick is also involved in a month long Task Force to look at the reorganization of State Wide Information Technology Services focusing on Operational, Network, and Help Desk activities. This task force will present its findings to Bob Anderson, CIO.

## **II. MARKETING & SALES REPORTS**

### **1. Store Operations**

Peter reported that total store sales were up for the week of 4/27/03. Stores were up for the week by 9.7%. Three of the stores that overperformed were Store #48 in Hinsdale, #50 in Nashua and #69 in Nashua.

Meetings will be taking place this week to train store employees on the gift cards. Five meetings will be taking place within a three day period. Gift card racks are being made for the stores. Gift Card Displays for the registers will be in the stores next week.

A meeting was held last week with Peter, Nicole and Gordon with staff at the Ashland store to discuss their drop in sales, some of this has been due to a loss in licensee business. The store will receive a new shelf setup and several other things to boost sales.

Store #34 in Salem will begin phase II of their store reconstruction on Monday, May 5, 2003.

Chairman Maiola received a phone call regarding the space next to the current Lebanon location being available. Chairman Maiola will call them regarding this property.

The Commission received a letter on April 16, 2003 from the Civil Rights Commission regarding an incident that occurred at the Lebanon store that was witnessed by a member of the Civil Rights Commission. This issue was regarding racial stereotyping. A call from Aidan to Mr. St. Hillaire from the Civil Rights

Commission took place. We are waiting for a response from Mr. St. Hillaire before we proceed further.

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We received a letter from the Attorney General's office on April 24<sup>th</sup> regarding an invoice for the Peterborough store regarding a water pipe dispute. This invoice will be paid with a third being taken off the final cost. A new bill will be sent with the revised cost.

The tentative opening date for the Brookline Store is August, 2003.

2. Purchasing Report

The current out-of-stock report shows we are in good shape right now.

3. Merchandising Report

A. SPIRITS:

Test Market Results: (Code #7808)

1)

It was moved by Chairman Maiola, seconded by Commissioner Byrne that the Commission delist Guyet Crème de Cassis in the 750 ML size which did not reach the required gross profit for full distribution or specialty status, recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Fourth of July Sale:

It was moved by Chairman Maiola, seconded by Commissioner Byrne that the Commission approve twenty-eight (28) spirit items to be featured on sale during the Fourth of July Sale, scheduled for the period of June 26-July 6, 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) One Time Buy (Jim Beam Black Gold Golf Gift Set):

It was moved by Chairman Maiola, seconded by Commissioner Byrne that the Commission approve a one time buy of 30 cases of Jim Beam Gold Golf Gift Set as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing and Sales. The motion was unanimously adopted.

4) July Special Offers- United Beverages:

It was moved by Chairman Maiola, seconded by Commissioner Byrne that the Commission approve special offers by United Beverages, Inc., based upon depletions of seventy-three (73) spirit offers, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Tabled from 4/23/03–One Time Buy REVISED:

It was moved by Chairman Maiola, seconded by Commissioner Byrne that United Beverages withdraw a revised tabled item from 4/23/03 for Savadors Margarita/Strawberry Margarita, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) One Time Buy: (Jose Cuervo Traditional):

It was moved by Commissioner Byrne, seconded by Chairman Maiola that we not purchase a one time offer by United Beverages for 153 cases of Cuervo Traditional Tequila, in the 375 ML size and 53 cases of Jose Cuervo White Tequila in the 50 ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) One Time Buy: (Boru Vodka):

It was moved by Commissioner Byrne, seconded by Chairman Maiola that we make a one time purchase of 400 cases of Boru Irish Vodka, 1.75 size after July 1, 2003. United Beverages will provide a \$6.00 per case depletion allowance and the Commission will retail this product for \$19.99 as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Three Olives Summer Spectacular Program:

It was moved by Chairman Maiola, opposed by Commissioner Byrne that we not make a one time purchase offered by Horizon Beverages for 200 cases each of the Three Olives Vodka in Cherry, Vanilla and Raspberry flavors in the 1.75 size on behalf of White Rock

Distilleries, Inc, in conjunction with this promotion. Commissioner Russell abstained from the vote.

**B. WINES:**

**1) Set Sail for Savings Results:**

The Set Sail for Savings Results were reviewed by Nicole Horton, Wine Marketing Specialist and given to the Commission for review. There was no action taken.

**2) Summer Splash Sweepstakes Gold/Silver Offers:**

It was moved by Chairman Maiola, seconded by Commissioner Byrne, that the Commission approve the Summer Splash Sweepstakes Gold/Silver Offers from Martignetti Companies of New Hampshire on behalf of Robert Mondavi Wines for June through August, 2003 as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

**3) Special Offers for Fourth of July Sale, 2003:**

It was moved by Chairman Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages based upon depletions of two (2) wine items, to be featured on sale during July 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

**4) August Wine Sale:**

It was moved by Chairman Maiola, seconded by Commissioner Russell, that the Commission approve the proposed Wine Sale for August (July 28<sup>th</sup> through August 24<sup>th</sup>), as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

**5) Recommended Wine Specialty Products:**

It was moved by Chairman Maiola, seconded by Commissioner Byrne, that the Commission approve twenty-eight (28) recommended wine specialty products, as recommended by Nicole Horton, Wine

Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Allocated Wine Specialty Products:

It was moved by Chairman Maiola, seconded by Commissioner Byrne, that the Commission approve one (1) allocated wine specialty product, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Recommended Allocated & Restricted Wines for Distribution to Selected Stores:

It was moved by Chairman Maiola, seconded by Commissioner Russell, that the Commission approve four (4) allocated and restricted wine for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Primary Source Submissions ( 17 items –exclusive agent; 13 items – imported):

It was moved by Chairman Maiola, seconded by Commissioner Russell, that the Commission approve the listing of seventeen (17) items which are not from primary source, but are offered by the exclusive marketing agent; and thirteen (13) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion as unanimously adopted.

9) 2000 Bordeaux Roll Out:

It was moved by Chairman Maiola, seconded by Commissioner Russell, that the Commission approve the recommended 2000 Bordeaux rollout, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

**III. ENFORCEMENT & LICENSING REPORTS – None.**

**IV. CHAIRMAN'S REPORT & LATE ITEMS**

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated April 21 through April 27, 2003. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items: None.

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Anthony C. Maiola, Chairman

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John W. Byrne, Commissioner

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Patricia T. Russell, Commissioner

/L. Lassonde